

TOP SECRET

CD/ED

15 October 1954



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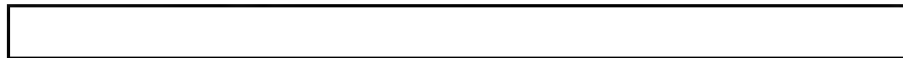
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CENTRAL INTELLIGENCE AGENCY

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TOP SECRET

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FAR EAST

1. Japanese reject Soviet approach on peace treaty:

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Japanese vice minister of foreign affairs Okumura has rejected an informal Soviet overture for a peace treaty along the lines of Japan's treaty with India, according to Ambassador Allison. The approach was made on 13 October by a Soviet delegate to the ECAFE subcommittee, who Okumura suspects is a member of the USSR foreign service.

Okumura told the Soviet delegate that the USSR must do "several things" before peace treaties can be discussed and that Moscow made a "great mistake" in trying to work through the Japanese Communist Party.

Allison believes the rejection is especially significant since it was made shortly after the Sino-Soviet communique of 11 October which contained an offer to establish normal relations with Japan. Okumura also said that Acting Prime Minister Ogata's recent statement throwing cold water on the Sino-Soviet proposals was made "off the cuff" at a press conference and that it expressed Ogata's strong personal feelings as well as his understanding of general cabinet opinion.

Comment: Okumura's rejection of the Soviet approach emphasizes Tokyo's position that only a bona fide Soviet proposal for a treaty will provide an acceptable basis for negotiations. Soviet seizures of Japanese fishing boats and occupation of the Habomai and Shikotan Islands are also sensitive issues on which Japan desires an indication of Soviet recognition of Japanese rights.

Japan's treaty with India does not conflict with the San Francisco peace treaty, but, unlike the latter, renounces reparations and contains no territorial and military provisions.

SOUTHEAST ASIA

2. Indonesia asserts Afro-Asian conference will be held in February or March:

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The Indonesian acting foreign minister has informed a British representative in Djakarta that the Afro-Asian conference definitely will be held in February or March 1955, according to the British Foreign Office. The agenda calls for a discussion of colonialism--including the New Guinea question--economic co-operation, and means of reducing world tension.

Nehru is definitely opposed to the conference but is supporting Indonesia's Prime Minister Ali Sastroamidjojo who, in view of the elections to take place sometime in 1955, feels he must come up with something "new" to lend prestige to his government.

The British Foreign Office feels no "possible good" will come of the conference, but that it will be held "even if it consists only of Nehru and Sastroamidjojo."

Comment: At Nehru's suggestion, Indonesia is to be host to a Colombo powers conference in December as a preliminary to the Afro-Asian meeting. This gathering may partially satisfy Indonesia's desire for regional and international prestige, and the other countries--particularly India--may take the opportunity to press the Indonesians to postpone or cancel their larger plans.

The prospects of an early Afro-Asian conference on the scale desired by the Indonesians are further dimmed by the general lack of enthusiasm among the countries which might be expected to attend such a gathering.

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NEAR EAST - AFRICA

3. Over 1,000 additional Iranian officers alleged to be Communist sympathizers:

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According to the American army attaché, the military governor of Tehran and Iran's intelligence chief estimate that there are 1,000 to 1,500 more officers in the security forces with Communist connections or sympathies in addition to those recently arrested.

The Shah, when informed of this, directed that no action be taken to arrest these officers or reveal publicly at this time their alleged affiliations because such action would demoralize the armed forces and cause them to lose the confidence of the public.

Comment: This is the first estimate of the number of potentially disloyal officers still remaining in the Iranian security forces--about three times the number of officers already arrested. There is insufficient information to judge whether they all are genuine Tudeh members or sympathizers and therefore constitute a Communist danger to the army. Many of them are probably members of, or sympathetic to, opposition groups which security officials claim are Tudeh front organizations.

The Shah is probably justified in believing that the widespread suspicion and distrust which would result from arresting about one fifth of the total number of officers would seriously impair the efficiency of the armed forces and weaken the command ability of the officer corps.

EASTERN EUROPE

4. Soviet-Yugoslav relations greatly improved:

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Yugoslav acting foreign secretary Bebler agrees with American chargé Wallner that relations between Yugoslavia and

the Soviet bloc have improved with astonishing rapidity during the past few weeks. The latest development was President Tito's consent to send a high-level Yugoslav trade delegation to Moscow to negotiate a one-year intergovernmental trade agreement. Bebler anticipates similar requests from the Satellites.

Bebler mentioned as conciliatory Soviet gestures the closing down of the anti-Tito Radio Free Yugoslavia, the abolition of various Yugoslav Cominformist emigré press organs, the recent moderate tone of the Soviet press vis-a-vis Yugoslavia, and the favorable Soviet reaction to the Trieste settlement. He disclosed that the Yugoslavs have granted Soviet requests for permission to make commercial overflights and to open negotiations for reciprocal distribution of Soviet and Yugoslav films.

The acting foreign secretary avoided a direct answer to the question of whether the Yugoslavs detected in these gestures any basic change in fundamental Soviet policies, but stated that his government attached greater significance to such Soviet actions as the recent dissolution of joint enterprises in the Satellites.

Comment: Although Bebler's disclosures reveal that Yugoslav-Soviet relations are now more nearly normal, Yugoslavia apparently neither desires nor expects to go beyond achieving a friendly but independent relationship. Although its leaders profess to view all Soviet moves skeptically and to feel that Moscow's basic aims have not changed, they may have some hope that the USSR will eventually allow its Satellites to develop into independent Communist nations.

The immediate purposes of the recent Soviet moves presumably are to arrest the growing Yugoslav-Western co-operation and block plans for Balkan defense, not to entice Yugoslavia back into the Orbit.

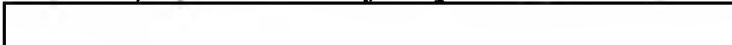
WESTERN EUROPE**5. Comment on resignation of Toerngren cabinet in Finland:**

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The resignation of the Finnish coalition cabinet on 14 October is not likely to result in any basic shift in the country's foreign or domestic policies. The imme-

mediate cause of the breakup of the three-party coalition--a dispute over milk prices--illustrates, however, the precarious basis of the alliance between the Agrarian and the Social Democratic Parties. These two parties, the largest in Finland, each control slightly over one quarter of parliament and, despite the opposing economic interests they represent, it seems likely that both will participate when a new coalition is formed. All the non-Communist parties in Finland are in general agreement on foreign policy, and the Communists, who control more than a fifth of the seats in parliament, are not likely to profit from the current crisis.



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6. Comment on prospects for a Saar settlement:

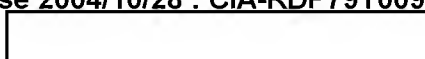
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There are indications that the agreement of last May between Adenauer and former French vice premier Teitgen will still be the basis for the 19 October discussion of the Saar by Adenauer and French premier Mendes-France. This is true even though Chancellor Adenauer told Ambassador Conant on 12 October that he

had given up all thought of a "European" solution of the Saar issue--one putting the Saar under control of a supranational European organization--for the time being. Bonn Foreign Ministry officials told Conant on 13 October that the May agreement would be acceptable if the references to the Saar as a "European" territory were dropped.

Such a change, adopted in an effort to appease German politicians opposed to a "European" solution of the Saar problem, is apparently all that Adenauer had in mind in



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his conversation with Conant. Mendes-France appears anxious for an early settlement and would probably accept such a change, provided other provisions of the Adenauer-Teitgen accord are retained.

Both Mendes-France and the Bonn officials plan to make the proposed Saar commissioner responsible to the Brussels treaty organization.

Ambassador Dillon warned on 13 October that the French assembly will not accept any Saar solution which is not in fact a final one, and that if such a solution cannot be found, the London accords will not be ratified. While the Germans want any Saar solution reviewable when a peace treaty is negotiated, the Adenauer-Teitgen agreement contains a compromise formula which could still be satisfactory. [REDACTED]

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